
Price Changes in the Thrifty Food Plan Versus the Consumer Price Index for Food: Why the Difference?

From June 2003 to June 2004, the cost of the Thrifty Food Plan (TFP or the Plan) increased 5.8 percent for the reference family (a husband and wife, ages 20 to 50, with two children ages 6 to 8 and 9 to 11). However, the cost of food as gauged by the Consumer Price Index (CPI) for food, the standard measure for food price changes, increased 3.7 percent over this time. The difference between these increases led to a question: Why did the cost of the TFP exceed the rate of food inflation? The answer relates to the TFP containing only food consumed at home and the types of foods in the Plan.

Two aspects of the TFP result in its price changes differing from those of the CPI for food and the CPI for food at home: (1) an assumption of the TFP that all food is prepared at home and (2) the nutritious diet that the TFP represents. The TFP consists of food purchased at stores and prepared at home (see box). From June 2003 to June 2004, the price of food “at home” (food purchased at grocery and other

food stores) rose more than did the price of food “away from home” (all meals purchased at fast-food establishments, full-service restaurants, cafeterias, and other similar establishments): 4.4 percent versus 2.8 percent. Competitive pricing at many fast-food establishments moderated price increases for food purchased away from home.

Regarding the second aspect of the TFP, the CPI for food at home is based on a market basket of what households *actually buy*, which, as it turns out, is not the nutritious market basket upon which the TFP is based.

Estimates of expenditure shares show that the TFP is more heavily weighted to fruits and vegetables, milk products, and meat and meat alternates than is the CPI for food at home. Compared with the CPI for food at home, the TFP is less heavily weighted to fats, oils, sweets, and miscellaneous foods (e.g., spices, seasonings, condiments, and sauces)—because it represents a nutritious market basket. It is not

The Thrifty Food Plan

The Thrifty Food Plan (TFP) represents a nutritious diet at a minimal cost. The Plan has a set of 12 market baskets of nutritious foods (one for each of 12 different age-gender groups) and a cost attached to each market basket. Monthly cost updates of the Plan, as well as periodic revisions of the market baskets to reflect current dietary guidance, are issued by the U.S. Department of Agriculture’s Center for Nutrition Policy and Promotion. The June cost of the TFP for the reference family is used as the basis for food stamp allotments in the next fiscal year (October to October). (Approximately 8.2 million households participated in the Food Stamp Program in fiscal year 2002.)

Expenditure¹ shares for the TFP and the CPI for food at home

	TFP	CPI food at home
Grains	14.6	14.6
Fruits/vegetables	26.6	18.5
Milk products	13.0	10.2
Meat/meat alternates	39.3	28.0
Other (fats, oils, sweets, and miscellaneous foods)	6.5	28.7

¹ Approximate expenditure shares based on most current data.

surprising that the CPI for food at home is heavily weighted to fats, oils, sweets, and miscellaneous foods because it is based on actual household spending patterns. The results of the most recent (1999-2000) Healthy Eating Index show that only 10 percent of the population has a “good diet.” This finding supports the spending patterns for fats, oils, sweets, and miscellaneous foods as shown in the CPI.

Price updates of the TFP and the CPI for food at home will not be uniform because the various food groups have different expenditure shares in each. Because the TFP increased at a faster rate than was the case for the CPI for food at home during the June 2003-2004 period, one might expect those food groups with a larger expenditure share in the TFP than in the CPI for food at home to have a greater price increase. That is, the price of milk products, meat, and fruits and vegetables would have increased more than the price of “other foods” (fats, oils, sweets, and miscellaneous foods).

The data on the prices of food support this lack of uniformity between the TFP and the CPI for food at home. From June 2003 to June 2004, the price of milk (which composes a large proportion of milk products in the TFP) increased 27.2 percent, the price of red meat and poultry (which composes a large proportion of meat/

meat alternates) increased 10.6 and 8.9 percent, respectively, and the price of potatoes (which composes a significant proportion of vegetables) increased 2.6 percent. The price of the fats, oils, sweets, and miscellaneous foods group, however, increased only 1.5 percent over this period.

What the future holds for price changes in the TFP depends on the composition of its market baskets and changes in food prices. For example, from June 2003 to June 2004, prices of more healthful foods grew at a faster pace than was the case for less healthful food choices. This pace caused the costs of the TFP for the reference family to increase at a greater rate than the CPI for food. If the reverse were to occur—the price of less healthful food growing at a faster pace—then the increase in the cost of the TFP would not exceed the CPI for food.